

**GREENE COUNTY ECONOMIC DEVELOPMENT CORPORATION LOAN
PROGRAM
(The Quantum Fund)**



Policies and Procedures
Revised 2019

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**GREENE COUNTY ECONOMIC DEVELOPMENT LOAN PROGRAM
(The Quantum Fund)
Matching Loan Policies and Procedures
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I. APPLICATION AND SUPPORTING DOCUMENTATION

The Loan Applicant is responsible for the submission of a complete loan package to include a completed Loan Application, a copy of which is included in Appendix A, along with all information and materials requested. Additional information may be requested by the Economic Development Corporation if deemed necessary to assist the Committee in its review of the loan request.

The application and supporting documentation should be submitted to the Economic Development Corporation (hereinafter referred to as the EDC). All information will be held in strictest confidence and shall not be available for access by the general public. This information, however, will be used by the EDC and its Staff in review of the loan request.

II. LOAN REVIEW RESPONSIBILITIES

A. The Economic Development Corporation

Membership shall consist of:

1. Member of Greene County Legislature
2. Two Bank Loan Officials
3. Two Local Businessmen
4. Two Other Slots
5. The Director of Economic Development, Tourism and Planning, or the Director's designated representative. (Ex-Officio Member having no voting rights)

B. Duties of the Economic Development Corporation

The EDC shall conduct a review of the applicant's request for loan funds with the assistance of the materials requested in the Loan Application. Based on this review, the EDC shall ascertain the feasibility of the project and credit-worthiness of the proposal and applicant. The EDC's duties shall include, but not be limited to, the following:

1. Conduct a credit analysis which shall include:
 - a. Review of the history of the business and its principals.
 - b. Review of the financial statements provided.
2. Conduct a collateral analysis to protect the County's interests and to ensure a properly secured loan, to include:
 - a. A determination of what collateral shall be required.
 - b. Review of the collateral used on previous loans and other liens and liabilities.

3. Conduct a cash flow analysis to include:
 - a. A review of a three-year pro forma statement describing the condition of the business in the future.
 - b. Review of other factors, which may affect the future conditions of the business.
4. Conduct an impact analysis to determine the extent to which the proposed loan request project meets the goals and objectives of the program outlined in Subsection A of Section V., Loan Review Criteria. The impact analysis shall include:
 - a. A determination of the number and type of jobs created, both permanent (part time and full time) and temporary (such as construction jobs).
 - b. A determination of the number and type of jobs to be retained by the project.
 - c. A determination of the level of private monetary commitment to the project.
 - d. A determination of the growth potential of the project in terms of future employment.
 - e. A determination of the type of services or business the project will provide the community.
 - f. A determination of the feasibility of the project and manageability of the loan repayments.
 - g. A determination of the project's compatibility with the community.
5. Work with the loan applicant to restructure the loan request in the event the original proposal is rejected by the EDC.

C. Duties of Economic Development Corporation Executive Director

1. Define the program to prospective loan applicants.
2. Make an initial determination on the project before EDC action, as it relates to eligibility pursuant to Community Development Block Grant and U.S. Department of Housing and Urban Development (HUD), as well as New York State Office of Community Renewal (OCR) requirements and meeting the goals and objectives of the program as outlined in Section V., Loan Review Criteria.
3. Assist in preparing and developing a complete loan package.
4. Act in an advisory capacity with respect to the loan applicant.
5. Determine completeness of the required supporting documentation.
6. Conduct a search of all public records in an effort to verify the credit- worthiness of the applicant and to protect the County's interests.

7. Request and review a formal credit check.
8. Act in the County's behalf as a liaison with the loan applicant and EDC.
9. Provide a loan commitment, in the form of the Lender's Memorandum (see Appendix B), to the applicant when the loan is approved. Along with the Lender's Memorandum, the applicant will also receive the Documentation of Jobs Created and Income Level of New Employees (see Appendix D).
10. Subsequent to loan approval, work with the EDC's Attorney in preparing the legal documents and loan closing.
11. Make all disbursements for each and keep all financial records and books pertaining to the loan program.
12. Monitor all loans including repayments and job creation.
13. Collect all pertinent reports from loan applicants during the stipulated time period.
14. Complete performance reports and semi-annual and annual reports as required by state and federal funding agencies.
15. Act as primary contact to state and federal funding agencies.
16. Provide documentation as required by program auditors.

III. LOAN TERMS

A. Loan Amount

Quantum Fund Loans are available in an amount up to one-half of the financing needed for an economic development project. The remaining one-half of the financing needed can be in the form of:

1. Bank financing;
2. Other private financing;
3. Equity up to 20% of the project's total cost;
4. Public financing other than the requested loan as acceptable to the EDC.

B. Interest Rate

The interest rate for loans shall be one-half of the prime rate plus one percent. The prime rate is that prime rate as reported in the Wall Street Journal as of the date of the EDC's approval of the loan. Repayment

terms may, at the option of the EDC Board, allow for the initial interest-only period not to exceed six (6) months.

C. Terms

The term of the loan shall be in accordance with the following:

| <u>Amount of Loan</u> | <u>Term</u> |
|-----------------------|----------------|
| \$20,000 to \$50,000 | Up to 7 years |
| \$50,001 to \$100,000 | Up to 10 years |
| Over \$100,000 | Up to 15 years |

For fixed asset loans, the term will generally be consistent with the life of the assets being financed, with such periods being consistent with standard commercial lending policies and in no instance exceeding fifteen (15) years. For term working capital loans, the loan term may not exceed ten (10) years. For loans, which will finance a combination of uses, the EDC may, at its option offer a single loan term. The EDC may increase the terms of the loan under unusual conditions, and the applicant may decrease the term of the loan.

D. Subordination

1. The EDC will generally allow a subordination of its collateral to private institutional lenders where necessary to facilitate the maximum financial participation by the private lenders.
2. The standing of the EDC financing relative to other public or quasi-public lenders will be negotiated on a case-by-case basis. However, unless the loan is otherwise well secured, the EDC financing will generally require a superior position to that of other public or quasi-public financing due to the obligations associated with CDBG borrowings.
3. The EDC will generally require subordination to EDC financing of notes payable to any officer, owner, or similarly affiliated party to the borrower where such subordination is appropriate and feasible.
4. The EDC may require the execution of inter-creditor agreements in instances where multiple lenders exist. The use and form of such agreements shall be the responsibility of the EDC Attorney.

E. Fees and Other Loan Costs

There is no application fee charged for the Quantum Fund Loan Program.

All third-party closing costs are the responsibility of the Borrower and may be paid from the Quantum Fund Loan proceeds. Among other things, these may include recording and filing fees and costs associated with securing real estate as loan collateral.

In addition, the Borrower is required to pay an administrative fee to the EDC at the time of the loan closing computed as follows:

| | |
|--------------------------------|---|
| Loans of \$1 to \$5,000: | \$200 |
| Loans of \$5,001 to \$25,000: | \$500 |
| Loans of \$25,001 to \$100,000 | 2% of loan |
| Loans over \$100,000: | 2% of loan up to \$100,000 plus 0.5% (.005) of the loan amount in excess of \$100,000 |

IV. TIME FRAME FOR LOANS

The estimated total time from the EDC's review of a completed application and the supporting documentation to the time of loan proceeds disbursement is expected to be eight weeks. It should be noted that this is only an approximation. Although the EDC shall make every effort to adhere to this schedule, circumstances may warrant an extended period between receipt of materials and loan proceeds disbursements. The steps in the process and their associated times are as follows:

- A. EDC Board review shall commence at the EDC's regular monthly meeting subsequent to the time the loan application is deemed complete. Loan applications are due at the Greene County Department of Economic Development, Tourism and Planning on the Friday prior to the next-to-last Tuesday of the month before the Committee's regular monthly meeting.
- B. The loan applicant will be notified of the EDC's recommendation for loan approval, denial, or the need to restructure within five (5) working days after the EDC's review.
- C. The Director will provide the loan applicant, within five (5) working days after the EDC Board approves of the loan, with all information and responsibilities that the EDC will require of the borrower.
- E. Loan closings will be dependent upon the EDC Attorney's availability, work load, amount of time required to prepare the closing documents, and security taken.
- F. Loan monies will be disbursed on a pro-rata basis with private funds and can generally be made three (3) working days after the Director determines that adequate evidence of the private funds portion of the project have (or will immediately be) invested, subject to the following:
 - 1. Subject to the borrower's compliance with the terms and conditions of the loan agreement,

all documents evidencing and securing the loan, and other guidelines evidencing and securing the loan, and other guidelines for disbursement described herein, loan proceeds may be disbursed upon the borrower's presentation of vouchers, invoices and other such evidence satisfactory to the EDC which represent paid or accrued expenses of the borrower and which are eligible costs as determined by the EDC.

2. Where other debt or equity financing is to be used in conjunction with Quantum Fund financing, such debt or equity must, in the opinion of the EDC, be firmly committed for such use. The borrower must submit evidence of the commitments.
3. Where other debt or equity financing is to be used in conjunction with Quantum Fund financing, the EDC will, at its discretion, determine the appropriate draw schedule for funding based on such factors as the magnitude of risk assumed by the EDC, the nature of the activities being financed, the draw schedule for the other financing, and applicable federal and state regulations for the use of CDBG funds. The manner and terms of the disbursement of the Quantum Fund financing will normally be included in the approval by the EDC Board. However, in instances where the EDC Board has not prescribed a draw schedule, the Director will prepare a draw schedule.

V. LOAN REVIEW CRITERIA

While conducting its review, the EDC Board will attempt to ascertain to what extent the projects proposed for funding meet the following criteria:

A. Quantum Fund Program Goals and Objectives

The primary goals and objectives (in terms of their priority) of the Quantum Fund Program are:

1. Create new employment opportunities through the expansion of existing or the creation of new businesses in Greene County;
2. Retain existing employment opportunities in Greene County;
3. Increase taxable value of property;
4. Identify and provide assistance for projects which present growth potential in terms of future employment, although they do not meet the minimum employment standards outlined in Item D below;
5. Provide essential services or businesses lacking in the neighborhood or community;
6. Leverage greatest level of private funds possible. At least 50% of the financing of a project

shall be provided from non-county funds.

B. Credit Worthiness

The applicant must be current on real property taxes, all mortgage payments, federal and state tax obligations and all other debts. Revolving loans (i.e. credit cards) must be a manageable size and be receiving sufficient payments. The borrower must be free from any unsatisfied judgments or other claims which interfere with the lender's rights in the collateral.

Non-compliance with any of the above will be considered an appropriate reason for loan refusal. The applicant will, however, have the opportunity to correct any of the above problems. Substantial non-compliance, however, will show a lack of credit worthiness and could be deemed a reason for loan refusal.

C. Project Feasibility

The applicant must provide information concerning the feasibility of the project. The feasibility of all areas of the project will be examined to include, but not be limited to, the following: income projections, profit projections, job projections. Questions with regard to the feasibility of the project will be considered an appropriate reason for loan refusal. The EDC Board and the Director may provide assistance to the applicant in developing a feasible project, if at all possible.

D. Job Opportunities

The EDC has established a ratio of one full-time equivalent job created for every \$35,000 in loan funds as an overall goal of the Quantum Fund. However, the inability of a project to meet this goal will not constitute automatic refusal of the loan request. The EDC will review each loan application on an individual basis to identify other aspects of the project, which may be desirable, and which meet other goals and objectives of the Quantum Fund Program as described in A. above. In accordance with Federal requirements, the average ratio of Quantum Fund financing to employment opportunities created or retained shall not exceed the sum of \$50,000.

Loans for the sale of an existing business are eligible as long as the required number of jobs created are greater than those jobs on the payroll of the business at the time it is sold in sufficient number to meet the threshold of the program.

Borrowers are encouraged to provide, to the greatest extent possible, opportunities for employment to lower income residents of the County and contracts for work to be performed with loan proceeds by businesses or persons which are located in Greene County. For the purposes of calculating employment opportunities, the following will apply.

- (a) Only permanent jobs will be counted; temporary and construction jobs will not be counted.

- (b) Jobs of 35 or more hours per week will be considered as one full-time job. Part-time permanent jobs of less than 35 hours per week will be converted to full time equivalent jobs by dividing the number of part-time hours by 40.
- (c) Seasonal jobs will be considered to be permanent jobs if the employee will have the opportunity to retain the job from season to season and serve as the primary source of employment.
- (d) Projected employment must be reasonably expected to occur as a direct result of the expanded business activity, and such projection may in no instance extend beyond 24 months from the completion of the expansion.

E. Eligibility Requirements

1. Eligible Activities

- (a) The business activity which will be primarily impacted by the Quantum Fund financing must be located in Greene County.
- (b) The business activity to be undertaken with assistance from the Quantum Fund must be an eligible activity and meet the statutory objectives pursuant to the regulations governing CDBG and the U.S. Department of Housing and Urban Renewal and/or the New York State Office of Community Renewal.

2. Eligible Borrowers

Borrowers may be individuals or any legal business form including sole proprietorships, corporations, partnerships, limited liability companies (LLCs), and limited liability partnerships (LLPs). All borrowers and owners of businesses that receive Quantum Fund loans must be current in the payment of all property tax obligations in Greene County, New York.

3. Ineligible Borrowers

A Quantum Fund loan may not be made to any borrower, which is owned in any part by a person deemed to have a conflict of interest pursuant to the CDBG requirements set forth by HUD and the New York State Office of Community Renewal. In addition, the Quantum Fund Committee may deem as ineligible any applicant whose receipt of Quantum Fund funds creates the appearance of a conflict of interest as determined by the Quantum Fund Committee.

4. Eligible Uses of Quantum Fund Monies

Loan proceeds may be used for any justifiable business purpose including, but not

limited to, the following:

- (a) Purchase of inventory, furniture, fixtures and equipment (FFE);
- (b) Acquisition of real property;
- (c) New construction and purchase of capital equipment;
- (d) Renovations and/or additions to facilities;
- (e) Working capital

The Loan proceeds for the refinancing of existing debt is generally ineligible except in cases where such refinancing is a required element of the project financing and represents a relatively minor portion of the entire project. Loans for the sale of an existing business are eligible as long as the required number of jobs are created above those jobs on the payroll of the business being sold. The use of Quantum Fund funds must also be eligible pursuant to the Federal regulations governing the CDBG.

F. Security

All loans will be secured. Wherever possible, security will be a mortgage on real property. For larger, more substantial borrowers, assets of the business and/or assets of a business owners or corporate officers will be considered. Additionally, loans will be secured by the equipment or materials purchased with the loan proceeds.

The EDC will determine the required security for each loan on a case-by-case basis based on such factors as the risk of default, the nature and value of the security, and the position of the Quantum Fund funds in relation to other lenders. In determining the appropriate security, the following will apply:

- (a) The EDC will generally require a security interest in all assets financed with Quantum Fund funds. Other assets of the borrower may be required as additional security at the EDC's option.
- (b) For loans to corporations or partnerships, the EDC will require the personal guarantee of all owners of at least 20% of the voting stock or partnership interest of the company. The personal guarantee of other shareholders, officers, principals, or partners may also be required at the discretion of the EDC.
- (c) For loans to closely held corporations, the EDC may require as additional security selected personal assets of one or more of the owners.
- (d) For loans to businesses that have a dependence upon specific individuals for their

continuing viability, the EDC may require an assignment of insurance on the lives of those persons.

The EDC Attorney will be responsible for perfecting of all the EDC's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the EDC's security interests. Inter-creditor agreements will be executed where appropriate to further protect the EDC's interests and to facilitate the processing of defaults and foreclosures.

G. Proof of Financial Commitment

In reviewing the applicant's request, the EDC will address the financial commitments for the non-County portion of the project. Applicants shall bear in mind that all loans are contingent upon the nature and degree of the firm financial commitment from the non-County funding sources. Funding for the non-County portion of the project financing can be in the form of:

1. Bank financing;
2. Other private financing;
3. Cash
4. Equity up to 20% of a project total cost (for example, on a \$100,000 project, existing property valued at \$20,000 to be used in the proposed project could count towards up to \$20,000 of the required applicant match);
5. Public financing other than the requested loan.

Applicants will provide the EDC information on the private commitment, including source, dollar amount, rate, term and annual payment of the non-County portion of the project.

H. Need

Consistent with the Federal Regulations governing the use of CDBG funds, all projects must demonstrate a need for below-market financing. The loans can serve as "gap" or "subsidy" financing.

"Gap" loans are defined as those, which provide funds, which are needed to complete a total project, which would otherwise not be available from other sources.

"Subsidy" financing is defined in the following context: Although sufficient funds are available from other sources, the cost of these funds are at a level as to render the total project financially unfeasible. Therefore, the Quantum Fund Loan is required for a lower total project-funding rate.

VI. EDC BOARD APPROVAL

The EDC Board must approve all projects before any element of the project is started.

The U.S. Department of Housing and Urban Development, the New York State Office of Community Renewal, Greene County and the Quantum Fund Committee will not discriminate against prospective or identified loan applicants because of race, color, religion, sex, national origin or age.

VII. REQUIRED BORROWER CONTACTS WITH COLUMBIA-GREENE COMMUNITY COLLEGE

In accordance with Item #16 of the Loan Commitment, Low and Moderate Income Employment Commitment (see Appendix B), the borrower must seek the assistance of Columbia-Greene Community College to fill the jobs, which the borrower will create. These jobs will be made available to low and moderate-income persons in accordance with Federal regulations. The College will work with the borrower to determine the borrower's needs and the College will respond by referring eligible job applicants to the borrower.

All borrowers must follow the Employment Referral Agreement that is presently in existence with the College (see Appendix C).

VIII. INTERNAL ADMINISTRATIVE PROCEDURES FOR PROCESSING ECONOMIC DEVELOPMENT LOANS

1. Applications are filed at the EDC, located in the Greene County Department of Economic Development, Tourism and Planning.
2. After EDC review and determination of completeness, the application is submitted to the EDC Board.
3. After EDC Board approval, the staff of the EDC has a notification letter sent to the applicant.
4. The EDC sends a Loan Commitment (see Appendix B) to the applicant with the terms and conditions spelled out. The applicant signs two copies and returns them to the EDC office. Enclosed with the Loan Commitment is an information package titled "Documentation of Jobs Created and Income Level of New Employees". The required jobs information must be on file with the EDC before any loan money may be drawn.
7. The EDC sends to its Attorney's Office a memorandum explaining which federally or state approved agreement should be used and spells out particulars for the particular loan. A

copy of the Loan Commitment is also sent to its Attorney's Office.

8. After closing the loan, the County Attorney's Office files documents at the Courthouse and sends the loan note to the EDC.
9. The EDC notifies the financial institution of the loan details and approves disbursements of funds to the borrower.
10. The EDC requests the Treasurer's Office to prepare disbursement checks. The Treasurer's Office forwards checks to the Department to turn over to the borrower.
11. Once the entire loan amount is disbursed, the financial institution prepares an amortization schedule and coupon book for each loan. The EDC sends a copy of the schedule to the Treasurer's Office and the borrower. As loan payments are made, the financial institution makes a copy of the deposit slip, with the name of the borrower on it, and sends it to the EDC, so it can make sure full payments are received.

IX. POLICY FOR DELINQUENT ACCOUNTS

In accordance with the Loan Commitment, a grace period of 15 days will be allowed on all loans. If payment is not received by the 16th day of each month, there will be a late fee of \$50 added to the payment for the month. If after 30 days payment is not received, the loan will be considered in default and interest may revert to prime plus 4% until the late payments and late fees have been brought up to date. The procedure follows:

A. First Notice

On the 16th day of each month, the financial institution determines which borrowers are late with their payments. On the next business day, the financial institution sends a notice to each delinquent borrower (and cosigners, if applicable), noting that the account is in arrears and charging a \$50.00 late fee.

B. Second Notice

On the last day of the same month, the financial institution determines if the borrower has made required payments. On the first business day of the next month, the financial institution sends a notice to each borrower that is still delinquent (and cosigners, if applicable), noting that the account(s) is (are) still in arrears and requesting payment with the \$50.00 late fee. In addition the EDC will call each borrower requesting payment.

C. Third Notice (Collection Notice)

Between five and ten days after the second letter is sent, the EDC determines if the borrower has made required payments. If no payment has been made, the EDC sends by certified and regular

mail a third notice to each borrower that is still delinquent (and cosigners, if applicable), requesting payment in order to avoid referral for collection. If payment is not received, the EDC will begin collection efforts. The EDC will continue collection efforts until it determines that no payment is forthcoming.

D. Final Notice (Referral to County Attorney)

On the last day of the second month, the EDC determines if the borrower has made required payments. On the first business day of the next month, the EDC sends a notice to each borrower that is still delinquent, notifying the borrower(s) (and cosigners, if applicable) that if payment is not received within 7 days the account will be referred to the EDC Attorney for legal action regarding accounts that remain delinquent and uncollectable.

E. Letters from EDC Attorney (90 days late)

By the 8th day of the 3rd month, if the account is still arrear, the Director will request the Attorney's Office to send a notice to the delinquent borrower (and cosigners, if applicable), spelling out the consequences of a delinquent account. If then in 30 days, or such period determined appropriate by the Director in consultation with the EDC Attorney, it is determined that no payment is forthcoming, and no satisfactory agreement can be made, a second letter by the EDC Attorney will be sent to the borrower notifying the borrower of the consequences of the delinquent account and the EDC's intent to pursue foreclosure or other appropriate action.

F. Referral to Quantum Fund Committee

If, following action by the EDC Attorney, the EDC Attorney determines that payment is not forthcoming, and no satisfactory agreement can be made, the Director will refer the matter to the EDC Board for a recommendation to pursue foreclosure or other appropriate action.

G. Referral to EDC Board

If the EDC Board determines that payment is not forthcoming, and no satisfactory agreement can be made, then the EDC Board, in consultation with the Attorney and the Director, will prepare a resolution providing a recommendation for foreclosure or other appropriate action.

X. PROCEDURE FOR MONITORING JOB CREATION

A. The Loan Agreement will state the applicable Community Development Block Grant compliance obligations of the Borrower. The Director will be responsible for reviewing the quarterly submissions of employment information, compiling information and statistics as appropriate, reviewing for compliance with the requirements set forth in the Loan Agreement, and monitoring on-site as appropriate to verify information provided by the Borrower.

- B. The Director shall be responsible for periodically monitoring, as appropriate, the borrower's compliance with other conditions and covenants of the Loan Agreement including, but not limited to, Federal requirements, periodic submission of financial information, and the loan repayment. The Director shall document all such monitoring in an appropriate manner.

XI. ADJUSTMENT OF TERMS AND CONDITIONS

Requests by the Borrower for adjustment of any of the terms and conditions of the loan will be reviewed and processed in accordance with the following:

- A. Requests to adjust the interest rate, term of the loan, or security for the loan will be presented to the EDC Board for review and action.
- B. Requests to accrue interest, defer principal payments, or otherwise temporarily modify the repayment schedule may be approved by the EDC Board for a period not to exceed 180 days.
- C. Requests for changes respecting any covenants or conditions of a financial nature must be approved by the EDC Board as to content and the EDC Attorney as to form.
- D. Requests for any other changes to the covenants or conditions of the loan including, but not limited to such elements as reporting requirements, cost documentation, and maintenance of records may be approved by the Director or referred to the EDC at the discretion of the Director.

Nothing in this section shall preclude the Director, upon consultation with the EDC Attorney, from approving adjustment of the terms and conditions of the loan for purposes of bringing delinquent accounts current.

XII. EXCEPTIONS

In operating the Quantum Fund, the EDC Board may deviate from the Loan Terms, Job Opportunities and Eligible Use of Loan Proceeds sections of this plan where such deviation is determined by the EDC Board to result in an extraordinary public benefit to Greene County. The nature of the deviation and the nature and extent of public benefit to result must be stated in an approved EDC Board resolution.

Any deviation from the policies and procedures other than stated as above shall be approved by a resolution of the EDC Board which states the nature of the deviation and the reason(s) for its approval.